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SENSITIVE
SIPDIS

DEPARTMENT FOR PM/DDTC AND EUR/CE

E.O. 12958: N/A
TAGS: [KOMC](#) [ETTC](#) [EZ](#)
SUBJECT: BLUE LANTERN LEVEL 3: POST-SHIPMENT END-USE CHECK
ON LICENSE NO. 05-050091548

REF: SECSTATE 91448

1.(SBU) Summary and Comment: In response to reftel, Poloff and PM/DDTC team conducted a site visit at Lom Praha S. P. (LP) in order to verify its relationship with the Czech Republic's Ministry of Defense (MOD) and establishes the bona fides of this export involving communication and navigation equipment for the Mi-171 helicopter. On September 9, 2008, the team met with the following LP representatives: Director of Aircraft Division Miroslav Komarek, Security Director Dusan Franko, and Modernization Project Manager Martin Jilek. LP is working to modify Czech Mi-171 helicopters with U.S. parts and avionics in preparation for their deployment to Afghanistan in 2009. Despite some possible concerns over the periodic visits of Russian technical inspectors at the Mi-171 work site (required to certify the work in order to maintain aircraft warranties/certification), the blue lantern team views LP as a reliable recipient of U.S.-origin defense articles and technology. Embassy team's site visit confirms the bona fides of the transaction; LP's relationship to the Czech Republic's MOD and establishes LP as a generally reliable recipient of USML articles. End Summary and Comment.

2.(SBU) LP presented the Embassy team with an end-user statement provided by the Czech Republic MOD signed by Acting Director Mgr. Jiri Stanek on 19 February 2008; confirming that the navigation component parts would be used for testing on the Czech Air Force Mi-171Sh helicopter. The document stated further that the goods will remain Czech property and not be resold or re-transferred. Post sought to determine LP's familiarity with the International Traffic in Arms Regulations (ITAR) and its restrictions on the unauthorized retransfer and re-export of United States Munitions List (USML) items. The team stressed in particular the restrictions regarding the unauthorized third-party transfer of associated technical data. LP exhibited familiarity with ITAR regulations and provided assurances against the unauthorized transfer of the component parts and associated technical data. Embassy team's overall impression was that LP's staff appeared organized, disciplined and generally knowledgeable regarding ITAR regulations/restrictions.

3.(SBU) The Blue Lantern team received assurances regarding the status of Russian technicians who plan to visit LP at certain pre-approved times, in order to review status of work on the Mi-171 helicopters. In order for the Czech Air Force to maintain factory-provided airworthiness certificates issued by the Mi Helicopter Design Bureau in Russia, the Mi Design Bureau must certify all modifications made to the Czech's Mi-171 helicopter fleet. (Note: The Czechs paid an annual fee of \$8 million for this service. End Note) Given the potential presence of Russian technicians, the Blue Lantern team raised concerns that technical data related to U.S.-origin navigation and communication systems could be re-transferred to Russia. LP explained that the role of the

Russian technicians would be limited to the installation of larger systems into the aircraft. LP provided assurances that Russian entities would not have access to U.S.-origin technology or technical data.

4.(SBU) LP,s physical location consists of an office building and a series of warehouses large enough to house aircraft. Security Director Franko indicated that all USML items received by LP are stored under lock and key in the warehouse facilities. Embassy team confirmed their general security level while performing an inspection of a warehouse and the Mi-171Sh helicopter in which the navigation test equipment would be installed. Inside the warehouse the helicopters were cordoned off by a several-foot high opaque fence disallowing access to those who would not be working on the project. Mr. Franko indicated that there would also be a sign-in roster outside of the warehouse/project entrance which would be checked frequently ensuring access to authorized personnel only.

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